

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 IO-10 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

EA-06 ARA-06 /114 W

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P 231644Z JUN 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 6787

LIMITED OFFICIAL USE SECTION 1 OF 2 OTTAWA 2342

E.O. 11652: N/A

TAGS: EAGR, ETRD, CA, US

SUBJECT: MEAT IMPORT QUOTAS-- BILATERAL TALKS, JUNE 20

POUCHED TO ALL CONSULS IN CANADA

PASS AGRICULTURE FOR GOODMAN/FAS

1. SUMMARY. DEPUTY ASSISTANT SECRETARY OF STATE KATZ AND FAS ASSOCIATE ADMINISTRATOR GOODMAN ACCOMPANIED BY LEARY AND JEAN OF EMBASSY MET JUNE 20 AT EXTERNAL AFFAIRS BUILDING WITH CANADIAN TEAM HEADED BY ITC SENIOR ASSISTANT DEPUTY MINISTER TOM BURNS AND INCLUDING HENEY OF ITC, PHILLIPS OF CANADA AGRICULTURE, AN LARGE GROUP OF OTHER GOC OFFICIALS TO REVIEW SITUATION IN MEAT AND LIVESTOCK MARKETS AND EXPLORE POSSIBILITY OF ELIMINATING EMPORT CONTROLS IMPOSED BY BOTH COUNTRIES. BOTH SIDES AGREED THAT OBJECTIVE SHOULD BE RETURN TO NORMAL OPEN BORDER IN U.S./CANADA MEAT AND LIVESTOCK TRADE BUT BOTH ALSO RECOGNIZED COMPLICATIONS CAUSED BY U.S. MEAT IMPORT ACT REQUIREMENTS AND VOLUNTARY

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RESTRAINT PROGRAM ON BEEF WHICH U.S. IS NEGOTATING

WITH OTHER SUPPLIERS. EACH SIDE PUT FORWARD PROPOSALS (DESCRIBED IN PARAS 7 AND 8 BELOW) WHICH OTHER DID NOT FIND FULLY SATISFACTORY. THEY AGREED TO KEEP IN CLOSE TOUCH WITH VIEW TO HOLDING ANOTHER MEETING AT EARLY DATE FOLLOWING USG REVIEW OF PROSPECTIVE GLOBAL IMPORTS OF BEEF AND POSSIBLE USG AND GOC CONSULTATIONS WITH AUSTRALIA AND NEW ZEALAND. END SUMMARY (NOTE: THIS REPORT WAS PREPARED AFTER KATZ AND GOODMAN LEFT OTTAWA AND HAS NOT BEEN CLEARED BY THEM.)

2. BURNS LED OFF WITH REFERENCE TO DISCUSSION BETWEEN PRESIDENT FORD AND PRIME MINISTER TRUDEAU LAST DECEMBER WHEN IT WAS AGREED THAT EFFORTS SHOULD BE MADE TO GET RID OF "NONSENSICAL" BORDER CONTROLS ON MEAT AND LIVESTOCK. HE SAID GOC WAS ANXIOUS TO GET "BACK TO NORMAL". IT WOULD LIKE TO SEE ALL OF U.S. SECTION 252 ACTION RESCINDED. IT HAD ALREADY PROPOSED IN GHERSON/KATZ CONVERSATION PREVIOUS WEEK THAT GOC DROP IMPORT CONTROLS ON CATTLE AND THAT U.S. DROP ACTION COULD BE TAKEN ON BEEF AS WELL.

3. KATZ SAID USG WOULD ALSO LIKE TO GET BACK TO MORE NORMAL SITUATION ALTHOUGH THERE ARE SOME COMPLICATING FACTORS WHICH DID NOT EXIST WHEN CONTROLS WERE FIRST IMPOSED. BEFORE DISCUSSING POSSIBILITIES OF QUOTA REMOVALS, HE ASKED HOW GOC SAW FUTURE MARKET DEVELOPMENTS, IN PARTICULAR WHETHER THERE WOULD BE NEED FOR FURTHER GOVERNMENT INTERVENTION. HE POINTED OUT THAT PROBLEM MIGHT BE WORSE IF BOTH SIDES DISMANTLED CONTROLS AND THEN GOC REIMPOSED THEM SHORTLY THEREAFTER. GOODMAN NOTED, FOR EXAMPLE, THAT FIRST EFFECT OF RELAXATION ON CATTLE WOULD BE TO ALLOW FEEDERS TO ENTER U.S. FROM CANADA. IF FAT CATTLE BEGAN TO MOVE BACK INTO CANADA LATER AND CANADA TRIED TO RESTRICT THIS MOVEMENT, WE WOULD HAVE DIFFICULT SITUATION.

4. BURNS SAID NO ONE COULD BE COMPLETELY CERTAIN ABOUT FUTURE BUT GOC DID NOT AT THIS TIME ENVISAGE ANY NEED LIMITED OFFICIAL USE

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FOR CONTROLS. IN ANY EVENT, HE SAID, IF CIRCUMSTANCES SHOULD DEVELOP THAT REQUIRED GOVERNMENT INTERVENTION, IT WOULD BE BETTER TO BE STARTING WITH CLEAR SLATE AND CONSIDER SUCH FUTURE ACTION AGAINST BACKGROUND OF TRADITIONAL OPEN MARKET. HE AFFIRMED GOC'S DESIRE AND INTENTION TO RETURN TO OPEN BORDER, SUBJECT TO TWO CAVEATS: (A) GOVERNMENTAL INTERVENTION ON ONE SIDE OF THE BORDER (E.G. TO CONTROL INTERVENTION

ON ONE SIDE OF THE BORDER (E.G. TO CONTROL PRICES) MIGHT REQUIRE ACTION BY OTHER PARTY AND (B) GOC WOULD CONTINUE TO OPERATE MARKET STABILIZATION PROGRAM-- HOWEVER, THIS PROGRAM IS A DEFICIENCY PAYMENT, "STOP LOSS" PROGRAM WHICH HAS BEEN IN EFFECT SINCE 1958 AND IN GENRAL HAS NOT INTERFERRED GREATLY WITH MARKET AND SHOULD NOT DO SO IN FUTURE. BURNS SAID, WHILE THERE CAN BE NO ABSOLUTE GUARANTEE THAT RESTRICTIVE ACTION WILL NOT BECOME NECESSARY, GOC WOULD BE PREPARED TO ENTER INTO EXCHANGE OF LETTERS UNDER WHICH TWO GOVERNMENTS WOULD AGREE THAT THEY WOULD TRY TO AVOID UNILATERAL ACTIONS AND THAT, IF UNUSUAL CIRCUMSTANCES IMPEL ONE OF THEM TO ACT, THEY WOULD CONSULT WITH VIEW TO TAKING FULL ACCOUNT OF OTHER'S INTERESTS.

5. TURNING TO BEEF SITUATION KATZ EXPLAINED U.S. MEAT IMPORT ACT AND CURRENT STATUS OF VOLUNTARY RESTRAINT PROGRAM NEGOTIATIONS. HE NOTED THAT WHEN RESTRAINT PROGRAM WAS BEING DEVELOPED, USG HAD NO INDICATION GOC WOULD BE PREPARED TO RELAX ITS CONTROLS. THEREFORE, FOR PURPOSES OF IMPORT ESTIMATE, IMPORTS FROM CANADA HAD BEEN ASSUMED AT SECTION 252 QUOTA LEVEL OF 17 MILLION POUNDS. CANADA HAS SHIPPED ABOUT 3 MILLION POUNDS THIS CALENDAR YEAR WHICH LEAVES 14 MILLION POUNDS FOR BALANCE OF YEAR. SINCE GLOBAL IMPORT ESTIMATE IS VERY CLOSE TO TRIGGER POINT FOR MANDATORY QUOTAS UNDER MEAT IMPORT ACT, USG HAS LITTLE ROOM FOR MANEUVER.

6. BURNS REITERATED THAT GOC WANTS TO DISMANTLE ITS OWN BEEF QUOTAS AND WANTS TO GET RID OF ALL OF SECTION 252 ACTION ON U.S. SIDE. SECTION 252 ACTION LIMITED OFFICIAL USE

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HAS CREATED VERY BAD ATMOSPHERE IN CANADA BECAUSE OF STIGMA ATTACHED TO "RETALIATION". IN ORDER TO REMOVE OWN CONTROLS, HOWEVER, GOC MUST BE ABLE TO CLAIM WITH SOME JUSTIFICATION THAT USG IS ALSO ACTING TO PROVIDE "EFFECTIVE FREE ACCESS" TO U.S. MARKET. BURNS SAID 14 MILLION POUNDS WOULD NOT MEET THE REQUIREMENT. HE SUGGESTED THAT IF U.S. WERE PREPARED TO OFFER CANADA ACCESS OF 35-40 MILLION POUNDS FOR BALANCE OF 1975 AND RETURN FULLY TO TRADITIONAL NORTH AMERICAN MARKET SITUATION IN 1976, GOC MINISTERS WOULD PROBABLY BE PREPARED TO ACCEPT THAT THERE WAS "EFFECTIVE FREE ACCESS." BURNS NOTED THAT GOC WOULD HAVE TO CONSULT WITH AUSTRALIA AND NEW ZEALAND, SINCE ITS QUOTAS WERE GLOBAL, AND WOULD BE PREPARED TO TRY TO WORK OUT WITH THEM MEASURES TO LIMIT DISPLACEMENT EFFECT UNDER

WHICH FROZEN BONELESS BEEF FROM OCEANIA COMES INTO
CANADA AND EQUIVALENT AMOUNTS OF FRESH BONELESS
CUSTOMARILY GO TO U.S. RECOGNIZING CONSTRAINTS ON

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 IO-10 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

EA-06 ARA-06 /114 W

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U.S. GLOBAL IMPORTS, HENEY SAID HE UNDERSTOOD U.S.
IMPORTS FROM MEXICO WOULD BE SUBSTANTIALLY BELOW
RESTRAINT PROGRAM ALLOCATION AND SUGGESTED THAT
THIS AND PERHAPS OTHER SHORTFALLS COULD BE GIVEN
TO CANADA TO ATTAIN 35-40 MILLION POUND LEVEL.

7. KATZ EXPRESSED SKEPTICISM THAT U.S. COULD MEET
CANADIAN DESIRES. HE SAID USG WOULD REVIEW SHORTFALLS
BUT LATEST FIGURES ARE FOR APRIL AND MUCH MORE UP-TO-DATE
DATE WILL BE NEEDED IN ORDER TO MAKE JUDGEMENT.
AUSTRALIA AND NEW ZEALAND WOULD, OF COURSE, EXPECT
TO SHARE IN ANY SHORTFALLS. HE HAS MADE CLEAR TO THEM
THAT 17 MILLION POUNDS IS NOT THE CANDIAN BASE BUT
USG WILL HAVE TO CONSULT WITH THEM. HE NOTED ALSO
THAT TRANSHIPMENTS OF AUSTRALIAN AND NEW ZEALAND
BEEF THROUGH CANADA ARE NOT CHARGED AGAINST THOSE
COUNTRIES' VOLUNTARY RESTRAINT LEVELS AND, IF
NOT STOPPED, COULD SOAK UP SHORTFALLS.

7. BURNS OFFERED FOLLOWING PROPOSITION:

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KA) U.S. WOULD ELIMINATE ALL OF SECTION
252 ACTION;

(B) CANADA WOULD ELIMINATE IMPORT CONTROLS
ON CATTLE;

(C) CAANDA WOULD KEEP CONTROL SYSTEM
FOR BEEF IN PLACE AND CONTINUE TO LICENSE
EXPORTS AT CURRENT LEVEL UNTIL U.S.
HAS HAD CHANCE TO REVIEW FIGURES AND
BTOH COUNTRIES HAVE CONSULTED WITH
AUSTRALIA AND NEW ZEALAND. GOC WOULD
NOT REPEAT NOT COMMIT ITSELF TO CONTINUE
LICENSING RESTRAINT BEYOND NEXT U.S./
CANADA MEETING WHICH SHOULD TAKE PLACE
SOON, PERHAPS IN A WEEK.

BURNS SAID THIS SCENARIO COULD BE PRESENTED TO MINISTERS
AS INTERIM SOLUTION WHILE TWO SIDES STRUGGLE TO GET
RID OF BEEF CONTROLS ALTOGETHER. IT WOULD BE EXPLAINED
AS AN AD HOC MEASURE WHICH IS NOT A PRECEDENT.

8. AS AN ALTERNATIVE TO BURNS' PROPOSITION, KATZ
PROPOSED TWO-STAGE APPROACH:

(A) U.S. WOULD AMEND SECTION 252 TO
ELIMINATE CONTROLS ON CATTLE, HOGS, AND
PORK AND CANADA WOULD ELIMINATE CONTROLS
ON CATTLE IMMEDIATELY (SUBJECT TO NEED
TO COMPLETE U.S. PROCEDURE WHICH MIGHT
TAKE 5-10 DAYS);

(B) NO ACTION WOULD BE TAKEN NOW ON
BEEF BUT WE WOULD REVIEW SITUATION
PROMPTLY, CONSULT WITH AUSTRALIA AND
NEW ZEALAND, AND THEN RESUME BILATERAL
DISCUSSIONS AIMED AT RETURNING TO
NORMAL SITUATION.

KATZ SAID, BECAUSE USG HAD NO ADVANCE INDICATION
OF WHAT GOC WOULD PROPOSE ON BEEF, HE WAS NOT IN
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POSITION TO MAKE ANY COMMITMENTS ON BEEF. HE ADDED THAT HE WAS CONCERNED ABOUT MAINTAINING RESTRAINT PROGRAM THROUGH BALANCE OF YEAR. IF IMPORTS FROM CANADA INCREASED, THEY MIGHT PUSH GLOBAL IMPORTS PAST TRIGGER POINT AND THIS COULD RESULT IN MANDATORY QUOTAS AT LOWER LEVEL THAN VOLUNTARY RESTRAINT LEVEL.

9. PHILLIPS SAID, SINCE SECTION 252 ACTION IS RETALIATORY, FAILURE TO ELIMINATE BEEF CONTROLS IMPLIES THAT GOC IS NOT BEING FORTHCOMING. IF ASKED GOC WILL HAVE TO SAY THAT IT HAS OFFERED TO REMOVE BEEF CONTROLS BUT IT IS U.S. THAT IS DRAGGING ITS FEET. KATZ EMPHASIZED THAT USG IS NOT REPEAT NOT ASKING GOC TO RETAIN IMPORT CONTROLS. IF GOC WISHES TO REMOVE ITS IMPORT CONTROLS UNILATERALLY IT IS FREE TO DO SO. USG WOULD THEN HAVE TO CONSIDER WHAT TO DO ABOUT SECTION 252 ACTION AS WELL AS IMPLICATIONS FOR RESTRAINT PROGRAM AND POSSIBLE TRIGGERING OF MANDATORY QUOTAS.

10. BURNS SAID HE WAS CONCERNED ABOUT TWO-STAGE APPROACH BECAUSE IMPLEMENTATION OF FIRST STAGE MIGHT REDUCE PRESSURES TO COMPLETE THE JOB. ALTHOUGH HENEY MADE FORCEFUL STATEMENT ABOUT STRONG CANADIAN DESIRE FOR REMOVAL OF U.S. QUOTAS ON CATTLE, HOGS AND PORK (QUOTAS ARE ALREADY FILLED AND NO TRADE IS MOVING) REGARDLESS OF WHAT ELSE HAPPENS, BURNS MAINTAINED HIS PROPOSITION AS SET FORTH IN PARA 8. IT WAS AGREED THAT U.S. SIDE WOULD REVIEW SITUATION IN WASHINGTON INCLUDING LATEST DATA ON BEEF IMPORTS ASAP, THAT CONSULTATIONS MIGHT TAKE PLACE WITH OTHER TRADING PARTNERS, AND THAT TWO SIDES WOULD REMAIN IN TOUCH THROUGH DIPLOMATIC CHANNELS WITH VIEW TO ANOTHER MEETING AT EARLY DATE.
PORTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, IMPORT CONTROLS, MEATS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OTTAWA02342
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750218-0051
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750624/aaaaawe.a.tel
Line Count: 316
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2003 by BoyleJA>; APPROVED <07 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MEAT IMPORT QUOTAS-- BILATERAL TALKS, JUNE 20 POUCH TO ALL CONSULS IN CANADA
TAGS: EAGR, ETRD, EPAP, CA, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006